

South Korea–North Korea Relations: Influence of the PSI on North Korea

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Introduction

The Proliferation Security Initiative (PSI) is a kind of security regime which was established at President Bush's suggestion in May 2003. Its purpose is to intercept vehicles, ships, and airplanes in order to protect against the proliferation of weapons of mass destruction (WMD). Seventeen countries including the United States have currently joined in the PSI, and over sixty countries in the world support this initiative. PSI activities have been mainly focused on the interception of ships, which has had a practical effect since 2003. The reason is that the proliferation of WMD is generally accomplished by transportation using ships. However, these activities have posed some problems:

- The innocent passage or freedom of navigation in the United Nations Convention on the Law of the Sea (UNCLOS) might be undermined.
- China and Russia as major powers are not active participants in these activities.
- The object of interception is willfully categorized as aiming at certain rogue states.^[1]
- Identification and interdiction are usually difficult as long as the shipping materials are dual-use items which are generally comprised of WMD-related materials.

Although these problems are not easily resolved, the PSI has helped to settle them thanks to the expanding trend toward international consensus on the non-proliferation of WMD. In particular, United Nations Security Council Resolution (UNSC) 1540, which was agreed upon in April 2004, requests member states to take effective domestic, border, export, and transportation controls focused on WMD-related materials. Although that resolution did not provisionally address interdiction through checks and inspections, it is recognized to have legitimacy in terms of international law since it is interpreted as a pro-active activity to implement the resolution.^[2]

The PSI, led by the United States, usually aims at "rogue states" of proliferation concern, especially North Korea (the DPRK), since it has continuously threatened the peace and security of Northeast Asia through its nuclear development program for over a decade, and it is also notorious for illegal trade involving missiles as well as chemical and biological weapons-related materials. Related to the North Korean nuclear issue, United States Secretary of State Condoleezza Rice has emphasized that "the PSI is based on existing international or national

law” and “there is needed no more actions and certain types of resolution” with addressing the usefulness of the PSI.[3] It should be interpreted as a warning that in the case of failure of the Six-Party Talks, the PSI would be implemented immediately in order to deter the proliferation of WMD.

Fortunately, the pressure applied to North Korea of using the PSI has slightly diminished since the joint statement by the Six-Party Talks related to the renunciation of North Korea’s nuclear program was adopted on September 19, 2005. However, the core of the PSI has not completely disappeared. If North Korea does not act in concert with a thorough and concrete action plan related to the dismantlement of its nuclear program which will be discussed at the Six-Party Talks in the future, the pressure placed on North Korea by the PSI would emerge again immediately. Even if the North Korean nuclear issues are finally resolved at the Six-Party Talks, it is clear that the PSI would continuously put pressure on North Korea as long as it continues illegal trade of missiles, and chemical and biological weapons related-materials.

With the above issues in mind, this article examines the potential influence on North Korea when the United States finally does implement the PSI due to North Korea’s defiance against the United States’ non-proliferation policy and assesses South Korea’s desirable options toward North Korea within the context of PSI pressures.

Influence of the PSI on North Korea

Economic Influence

Damage caused by blockage of foreign currency

Insufficiency of foreign currency in North Korea is one of its three major economic difficulties, along with food and energy difficulties. Thus tackling this problem has become an important task of North Korea’s policy. The size of North Korea’s foreign trade, including \$1 billion between the two Koreas, is only about \$4 billion. Moreover, North Korea records a trade deficit equivalent to about \$0.7 billion every year.

North Korea is trying to solve the trade deficit through various activities. Those activities include 1) arms exports such as missiles, artillery etc.; 2) illegal transfer of drugs and counterfeit notes; 3) earnings by Mt. Keum-Kang tours and economic cooperation and support from South Korea (ROK); and 4) remittances by Koreans abroad, especially in Japan.

According to North Korea experts, North Korea seems to earn about \$0.4-0.5 billion per year through its export of weapons such as missiles.[4] Estimates of North Korea’s earnings from the illegal transfer of drugs and counterfeit notes vary largely according to various sources.[5] Integrating these estimates, we can say that North Korea earns about \$300-500 million with drugs and counterfeit notes every year. North Korea records \$150 million profits from trade with the ROK, and earns \$15 million through Mt. Keum-Kang tours every year. Thus North Korea acquires about \$170 million every year through exchanges between the two Koreas. Besides, North Korea gets about \$30-100 million every year through remittances from Korean-Japanese who support North Korea.[6] Summing up these figures, we can estimate that the total size of North Korea’s foreign currency acquisition is about \$900-1,100 million every year. Accordingly, if the PSI is implemented, in terms of pressure upon North Korea, North Korea will not be able to earn the foreign currency equivalent to about \$700-1,000 million per year. This means the Kim Jong Il regime will have difficulties in terms of both its economic and political power.

Aggravation of economic difficulties

If the PSI is implemented by the resolution of the UN Security Council to enforce economic sanctions due to North Korea's defiance on the nuclear issue, it is clear that the North Korean economy will meet a terrible blow. Of course, it is uncertain whether China will participate in such sanctions, but the ROK will inevitably join. This means that all economic cooperation and support including trade between the two Koreas will be stopped.

In this case, it will be impossible for North Korea to gain about \$170 million from trade and Mt. Keum-Kang tours and about \$170 million in terms of humanitarian aid such as food and fertilizer every year from the ROK. Besides, various cooperation activities, such as the Kaesung Industrial Complex and agricultural cooperation conducted at both government and civilian levels, will be halted. Moreover, humanitarian aid by the World Food Program (WFP), which covers half of North Korea's food shortage, will also be stopped. As a result, North Korea will face severe economic difficulties. Particularly if China joins the sanctions, then it is quite possible that North Korea might face the risk of regime collapse.

Political Influence

Stick to the hard-line policy toward the United States

Missiles, drugs, and counterfeit notes are means of solving the foreign currency difficulty faced by North Korea. Especially missiles, which play a role as political and economic negotiation chips toward the West, including the United States.

If the United States militarily implements sea and air blockades and enforces the freezing of economic assets to prevent the proliferation of WMD, North Korea will feel plenty of pressure, both politically and psychologically. North Korea will blame fiercely, and resist strongly, the activities of the PSI led by the United States. In particular, North Korea will instigate people to resist the United States through large-scale demonstrations domestically, and continue to issue statements against its critics internationally. In fact, North Korea had postponed the next round of Six-Party Talks indefinitely, recognizing that the drive toward implementation of the PSI, and the establishment of a United States human rights act aimed at North Korea, are kinds of "death policies from pressure toward the North,"^[7] and has protested against them strongly. North Korea probably thinks these hard-line policies against the United States will play a role not only to deter the PSI, but also to utilize the normalization negotiations between the DPRK and the United States in the future.

Hindrance of participation in the PSI and build-up of public opinion for international criticism

If the United States thoroughly implements the PSI toward North Korea, the North Korean economy will be ruined and its regime might collapse. Therefore, North Korea will try to draw international attention to the Korean Peninsula with threats of nuclear testing and local provocation of the ROK in order to avoid such a situation.

Meanwhile, the implementation of the PSI by the United States as an economic sanction might not succeed unless the ROK and China, which account for half of North Korea's trade, participate in the PSI. North Korea knows this fact well. So North Korea will probably press the ROK not to join the PSI with threats that this would create military tension. North Korea might threaten the ROK by nullifying the joint statement agreed upon at the fourth Six-Party Talks under the pretext of the ROK's cooperation with the PSI. North Korea will also ask China not to join the economic sanctions, taking advantage of the United States-China relationship reversely and, indeed, it will likely be hard for China to reject North Korea's request. North Korea will also place blame fiercely on the United States' hegemonic intervention in domestic affairs, and create public opinion for international criticism toward the United States. Especially to emphasize international criticism,

North Korea will try to let China and Russia lead the international criticism against the United States in concert with the Third World, including the Middle East countries which are antagonistic toward the United States.

Heightening of military tension

North Korea repeatedly announced in its keynote speech at the fifth Economic Cooperation Committee between the two Koreas, the statement of the Homeland Peace Unification Committee (May 25, 2003), and in the Rodong Shinmun (June 2, 2003), that if the United States implements the PSI and additional international action follows to prevent North Korean nuclear proliferation, then there will be a terrible retaliation by North Korea. North Korea also emphasized through the statement by the Panmunjeom Representative of the Korean People's Army (July 1, 2003) that if the United States imposes sanctions on North Korea, and sea and air blockades, then North Korea will recognize that action as a breach of the armistice agreement, and take a strong retaliatory action.[\[8\]](#)

Meanwhile, Baek Hak Soon, DPRK Minister of Foreign Affairs, clarified in a letter to the chairman of the UN Security Council that the PSI violates Clause 13 of Article 2 (prohibition of arms import) and Clause 15 of Article 2 (prohibition of blockade) and therefore North Korea regards the international economic sanctions through sea and air blockades as an act of war. So, when interception operations at sea are conducted, and participants of the PSI, headed by the United States, blockade North Korea's waters, North Korea seems to be warning it will not avoid war in terms of self defense, while entering into the highest combat readiness posture. Practically, North Korea will probably heighten military tension on the Korean Peninsula, including the mobilization of all its armed forces, and provocative actions such as violation of the Northern Limit Line (NLL).

Cohesion and dissolution of North Korea's military authorities[\[9\]](#)

If PSI interception exercises at sea are conducted near the Korean Peninsula, and the checks and inspections against North Korea's vessels are conducted, then North Korea's military authorities would feel a crisis. As a result, the cohesion of North Korea's military authorities would be intensified temporarily. Especially when a large-scale joint exercise by member states of the PSI is conducted in the vicinity of North Korea's waters, the North Korean military would strengthen its combat readiness amid the rampant of slogans of 'anti-America', 'anti-imperialism', and 'defend the motherland'. North Korea would also strengthen its military-diplomatic efforts in order to get some support from China. The more the PSI pressure level increases, the more the cohesion of North Korean military authorities will heighten due to the feeling of a survival crisis.

Meanwhile, although the pressure of the PSI against North Korea will become more comprehensive, and if China does not argue or make claims about the ongoing PSI activities or Russia's participation in the activities, then North Korean military authorities would be disunited with feelings of frustration and defeat. This might be caused by dissatisfaction about the failure of government policy resulting in the DPRK's international isolation and survival crisis. If this situation continues for long, North Korean military authorities would be divided into two camps: hardliners who are in favor of the present policy of fighting, and moderates who are in favor of avoidance of isolation.

Withering of the defense industry

In North Korea, materials used for development and production of military goods including WMD-related materials are generally imported from Japan. However, since Japan has participated actively in the PSI, it has become more difficult for North Korea to import these defense-related materials from Japan.

In fact, some of North Korea's cargo vessels which shipped missiles, drugs, and chemicals had been intercepted prior to the practical implementation of the PSI. For example, in December 2002 the North Korean cargo vessel Sosan, carrying Scud missiles, was intercepted by a Spanish naval ship in the Arabian Sea. The North Korean vessel Bongsoo, loaded with heroin, was seized by the Australian Navy in April 2003. And, in August 2003 a North Korean cargo vessel shipping chemicals was held in custody in the port of Gaoshung by the Taiwanese government.^[10] When the PSI aimed at North Korea is fully implemented, all North Korean vessels in question would be more comprehensively intercepted everywhere. Consequently, North Korea's defense-related materials would be impossible to trade, and in the aftermath of limited imports and exports, the North Korean defense industry will naturally wither.

Strengthening of acquisition means for strategic materials

The United States has intensively controlled the export of strategic materials and technologies headed for countries which present dangers to the security of the United States. Examples are the Export Administration Act (EAA) and the Export Administration Regulations (EAR) for the export control of dual-use items; the Arms Export Control Act (AECA) and the International Traffic in Arms Regulations (ITAR) for the export control of weapons and defense materials; the Trading with the Enemy Act (TEA) for the economic blockade toward enemy countries; the Atomic Energy Act (AEA) and the Nuclear Non-Proliferation Act (NNPA) for the export control as to the nuclear related materials; the National Defense Authorization Act (NDAA) for the export control of high-performance computers, missiles, and satellite-related materials; and the Enhanced Proliferation Control Initiative (EPCI), etc.^[11]

The Bush Administration has been trying to deter the influx of militarily convertible materials and technologies heading to rogue states such as North Korea, strengthening the implementation of such domestic laws. This means it is more difficult for North Korea to get materials and technologies related to the development and production of WMD. As a result, North Korea will try to enhance its R&D capability independently. In addition, North Korea might misuse the Kaesung Industry Complex Project in order to get strategic materials and technologies. Namely, it will try to obtain strategic materials and technologies covertly through South Korea's companies located in the Kaesung Industry Complex, camouflaging them with civilian use.

Conclusion: The ROK's Option

When the PSI is thoroughly implemented by the United States against North Korea, the ROK cannot help approaching it with great caution, since it has to consider the bilateral relations—i.e., the ROK-United States alliance, and South-North Korean cooperative relations. In short, if the PSI is implemented only for the nonproliferation of WMD, the ROK should support the PSI itself, but limit its participation in the PSI activity, considering simultaneously its inter-Korean bilateral relations. However, if the PSI is implemented as an economic sanction by resolution of the UN Security Council, the ROK would better participate in all activities except provocative actions such as onboard inspections by the ROK Navy.

Several options for the ROK to take are as follows:

With respect to the United States, the ROK should persuade the United States that its participation in the PSI would be indirect and limited. Firstly, it is necessary for the ROK to let the United States know that the ROK fully supports the purpose and method of the PSI. However, it is also necessary for the ROK to persuade the United States that if the ROK participates in the PSI directly, it will probably irritate North Korea and thus would not be helpful to improve the two Koreas' relations. Owing to such characteristics of the PSI, it is difficult for the ROK to join the PSI directly. Accordingly, the ROK should let the United States know that its participation would be indirect instead of direct.

There are various indirect and limited participations in the PSI for the ROK. Above all, the ROK can declare its support for the PSI internationally having in mind the symbolic characteristics of the PSI as vehicle of political pressure. Moreover, the ROK can join the PSI as an observer instead of directly joining the interception activities through military means. Besides, the ROK also can participate in the exchange of information related to the doubtful North Korean behavior of WMD proliferation, and the adoption of a resolution related to WMD against North Korea.

Secondly, it is necessary for the ROK to encourage the United States to restrain its interception activities in the vicinity of the Korean Peninsula. Generally, interception exercises at sea using information exchanges and check/inspections mobilize the naval ships from every country. Consequently, it makes littoral countries tense up. If such an exercise is implemented near the Korean Peninsula, especially next to North Korea's waters, it will be irritating the North Koreans, who object to the PSI. As a result, North Korea will probably respond against South Korea locally in terms of revenge. Therefore, it is necessary for the ROK to ask the United States not to conduct the interception exercises near the Korean Peninsula.

With respect to North Korea, the ROK should persuade North Korea to make a big deal with the United States related to its nuclear issue. The non-proliferation of WMD and WMD-related materials after September 11 is developing into a consensus within the international community. Every UN member country is obliged to implement the concrete non-proliferation actions according to the Resolution 1540 of the UN Security Council. For example, every UN member country is required to prohibit all kinds of support of non-state actors pursuing the development, production, acquisition, and use of WMD, and establish a related law and implement it.^[12]

Accordingly, the ROK should let North Korea know about this international reality and persuade it to solve the nuclear issue through the Six-Party Talks. In those processes, the ROK should emphasize considerable counter-presentations such as economic compensation and regime assurance from the ROK and western countries in exchange for dismantling its nuclear program.

The ROK should also persuade North Korea to become a member state of the international non-proliferation regime. Nowadays, international non-proliferation regimes such as international treaties and multilateral export control mechanisms aiming at the proliferation of WMD are enforcing their control mechanisms more tightly, especially in the wake of September 11. For example, guidelines for small arms and light weapons (SALW) and the man-portable air defense system (MANPADS) might influence both Koreas' future policies.

North Korea at present is in a state of withdrawal from the International Atomic Energy Agency (IAEA) and Nuclear Non-Proliferation Treaty (NPT), where it's been since the second nuclear crisis caused by its highly enriched uranium (HEU) program occurred in August 2002. Although North Korea may come back to the nuclear non-proliferation regime, its bio-chemical weapons and missiles are still matters of concern because it is not a member state of those WMD-related international regimes. So, in order to escape fundamentally from PSI-targeting led by the United States, the ROK should persuade North Korea to become a member state of all the international non-proliferation regimes, and comply with those obligations.

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1. According to the *Statement of Interdiction Principles* agreed in the Paris Conference in September 2003, the objects of interdiction are "states or non-state actors of proliferation concern." However, rogue states such as North Korea and Iran are the objects of interdiction actually. Pakistan, Israel, and India should be included in the objects of interdiction in terms of proliferation concern, however, the United States excluded them. In that sense, the PSI is being criticized.
2. "[State Department Outlines Proliferation Security Initiative](#)," *GlobalSecurity.org*, December 29, 2004.
3. *The Dong-A Ilbo*, April 29, 2005.
4. Michael Horowitz, Larry Wortzel, and Larry Nicksch estimate that it was \$560 million in 2001, \$600 million in 2002 and \$400-500 million every year respectively. See Taewoo Kim et al., *North Korea's Response to the PSI and ROK's Countermeasures* (Korea Institute for Defense Analyses, 2005, 10), 39.
5. The Congressional Research Service (CRS), *Wall Street Journal*, and United States Forces in Korea Command estimate \$71 million with drugs and \$15 million with counterfeit notes in 1997, \$500-1,000 million with drugs and \$15 million with counterfeit notes in 2001, and \$500 million with drugs and \$15-20 million with counterfeit notes every year respectively.
6. Nicholas Eberstadt at the American Enterprise Institute estimates that it was \$100 million per year in the early 1980s and the 1990s. The Congressional Research Service estimates \$30 million per year from after 1990s to the latest decade.
7. *The Chosun Ilbo*, December 10, 2004; *The Segye Ilbo*, July 6, 2005.
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12. [UN Security Council Resolution 1540 \(2004\)](#) Clause 8.

